INTRODUCTION
ECONOMICS OF PUBLIC POLICY ANALYSIS

- Much of economics concerned with public policy
  - Macroeconomics  ⫸ fiscal/monetary policy
  - Microeconomics  ⫸ policies aimed at market failures
    - monopolies  ⫸ anti-trust laws
    - externalities  ⫸ pollution laws
    - public goods  ⫸ government supply
    - information  ⫸ food labeling laws

- Focus of course will be on how economics can be used to analyze public policy towards market failures
To understand market failures and policies to deal with them, need a benchmark by which to judge current market performance

- what is optimal market performance?

- what constitutes an improvement in market performance?

This is known as welfare economics, which is made up of three areas:

- defining economic efficiency

- evaluating whether markets result in economic efficiency

- analyzing conditions under which public policies can improve efficiency, and, hence, social welfare